

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: UTILICORP UNITED INC.	DOCKET NO. WRU-01-34-225
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AMENDED ORDER GRANTING WAIVER

(Issued August 28, 2001)

On August 15, 2001, the Utilities Board issued an order granting a waiver to UtiliCorp United Inc. (UtiliCorp) of Iowa Code §§ 476.76 and 476.77 (2001) and 199 IAC 32 for the sale of a wholly-owned subsidiary, UtiliCorp Pipeline Systems, Inc. (UPL). The Board has discovered that several incorrect factual statements were made in the August 15, 2001, order. Corporate information from a different corporation inadvertently was listed in the order. The Board has determined that for clarity it should issue this amended order to properly reflect the correct facts to support the waiver. The Board will address the waiver request below.

On June 19, 2001, UtiliCorp filed with the Utilities Board (Board) a request for waiver of Iowa Code §§ 476.76 and 476.77 (2001) and 199 IAC 32 with respect to the proposed sale of UPL by UtiliCorp. On June 29, 2001, the Consumer Advocate Division of the Department of Justice filed a response stating it had no objection to the pleading.

UtiliCorp is a Delaware corporation with its principal office and place of business in Kansas City, Missouri. UtiliCorp is an electric and natural gas utility that serves more than three million customers in seven states, including Iowa, and four foreign countries. Through its Peoples Natural Gas operating division (Peoples), UtiliCorp is engaged generally in distributing and selling natural gas in its Iowa service areas.

UPL is a wholly-owned subsidiary of UtiliCorp. UPL has three subsidiaries, Missouri Gas Company, Missouri Pipeline Company, and Omega Pipeline Company (Omega). Prior to the closing of the sale, the stock of Omega will be transferred to UtiliCorp and Omega will remain a subsidiary of UtiliCorp.

The estimated purchase price of the sale is \$63.4 million, payable in cash. UtiliCorp states that the closing of the sale may occur as early as September 30, 2001. UtiliCorp states that the sale will not affect the service, rates, or operations of either UtiliCorp or Peoples in Iowa. None of the operations of UPL or its subsidiaries are conducted by Peoples.

Iowa Code § 476.77 provides that the Board may adopt rules which exempt a public utility from the filing requirements of that section if the Board finds review is not necessary in the public interest. The Board promulgated rules regarding reorganizations, including waivers or exemptions, in 199 IAC 32. The standards for review of a request for a waiver in § 476.77 indicate the important question is the effect of the acquisition or sale on the utility's ratepayers and the public interest. The Board stated when adopting an amendment to chapter 32 that waivers will be

liberally granted where the proposed reorganization has minimal or no impact on Iowa ratepayers. "Order Adopting Rules," In re: Disposal of a Public Utility's Assets, Docket No. RMU-91-2 (April 24, 1992).

The Board finds that the sale by UtiliCorp of its wholly-owned subsidiary will have minimal or no impact on Iowa ratepayers. UPL has no assets in Iowa and therefore no Iowa customers or service will be affected by the sale. Based upon the statements of UtiliCorp it also appears that the sale will have no effect on the financial viability, capital structure, or cost of capital of UtiliCorp. The sale will result in an increase in cash available to UtiliCorp.

To grant the waiver the Board must also find, based upon clear and convincing evidence, that the request meets the four criteria in 199 IAC 1.3. The four criteria are 1) the application of the rule would cause undue hardship, 2) the waiver would not prejudice the substantial legal rights of any person, 3) the provisions of the rule are not specifically mandated by statute, and 4) substantially equal protection of public health, safety, and welfare will be afforded by a means other than prescribed by the rule.

The Board finds that a waiver of Iowa Code §§ 476.76 and 476.77 and 199 IAC 32 should be granted based on the Board's review of the information provided by UtiliCorp in its pleading and the fact that UPL provides no service and has no customers or assets in Iowa. The Board finds it would be an undue hardship for UtiliCorp to meet the filing requirements of 199 IAC 32 for this sale, since the sale

will have minimal or no effect on Iowa ratepayers and review of the reorganization is not necessary in the public interest.

The Board finds also that the waiver will not affect the substantial legal rights of any person and that Iowa Code § 476.77 specifically allows for the waiver of the Board's rules. Additionally, the Board finds that substantially equal protection of the public health, safety, and welfare will be afforded since none of the assets being transferred by the sale are in Iowa and the sale will not affect Iowa ratepayers.

IT IS THEREFORE ORDERED:

The waiver request filed by UtiliCorp United Inc. on June 19, 2001, is granted in this amended order. The application of Iowa Code §§ 476.76 and 476.77 (2001) and 199 IAC 32 to the sale of UtiliCorp Pipeline Systems, Inc., is waived.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Mark O. Lambert

Dated at Des Moines, Iowa, this 28th day of August, 2001.